

## Message Text

CONFIDENTIAL

PAGE 01 HONG K 08166 141126Z

46

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ADP-00 AID-20 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 RSC-01 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08 CEA-02 L-03

H-03 PRS-01 PA-03 USIA-15 RSR-01 /171 W

----- 081579

R 140840Z AUG 73

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 7899

TREAS DEPT WASHDC

INFO AMEMBASSY LONDON

C O N F I D E N T I A L HONG KONG 8166

TREASURY FOR CROSS

EO 11652: ADS, DECLAS 12-31-73

TAGS: EFIN

SUBJ: UK GUARANTEE OF HK STERLING RESERVES AFTER EXPIRATION  
BALE AGREEMENT

1. HK OFFICIAL CONFIRMED THAT HKG PUBLIC STATEMENTS DO INDEED REFLECT ACCURATELY DISAPPOINTMENT HKG FEELS RESULT DISCUSSION IN LONDON ON POSSIBLE DOLLAR GUARANTEE STERLING RESERVES AFTER SEPTEMBER 24. ITS VIEWPOINT IS THAT IT HAS PAID HIGH PRICE FOR GUARANTEE BY BEING REQUIRED TO HOLD 89 PERCENT OF ITS RESERVES IN STERLING. IT WOULD CLEARLY LIKE DIVERSIFY MORE, DEGREE DEPENDING ON WHAT SORT OF POST-BALE ARRANGEMENT BRITAIN IS WILLING TO OFFER. SITUATION IS IMPLICATED BY THE FACT THAT SUBSTANTIAL PORTION STERLING ASSETS BELONG TO BANKS. THEY BENEFIT FROM GUARANTEE BY VIRTUE OF A SEPARATE AGREEMENT BETWEEN THEM AND HKG.

2. PURPOSE OF MISSION WAS TO MAKE CLEAR TO UK TREASURY EFFECT OF CONTINUED UNCERTAINTY ON HK BANKS WHO ARE FREE TO DO WHAT THEY WISH WITH THEIR STERLING. UK UNDERSTOOD BUT VOLUNTEERED NOTHING AND CONFINED ITSELF TO STATING THAT MESSAGE WOULD BE SENT  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 HONG K 08166 141126Z

TO ALL PRESENT MEMBERS OF AGREEMENT IN THE SECOND WEEK OF SEPTEMBER.

OFFICIAL NOT CERTAIN IF NEW AGREEMENT WILL BE OFFERED. IF IT IS  
THERE WOULD BE CONSIDERABLE DIFFICULTY IN NEGOTIATING  
WITH BANKS IN THAT SHORT PERIOD OF TIME.

3. REGARDLESS OF OUTCOME, IT SEEMS CLEAR THAT BANKS AND TO SOME  
EXTENT HKG WILL START TO INVEST SOME OF THEIR STERLING ASSETS, NOW  
ESTIMATED TO BE ABOUT TWO BILLION DOLLARS IN OTHER CURRENCIES--  
DOLLARS, DEUTSCHMARK, ETC, IN NEAR FUTURE.

4. WOULD APPRECIATE FROM EMBASSY LONDON COMMENT ON THIS EPISODE  
AND FROM WASHINGTON APPROPRIATE US POSITION ON QUESTION OF STERLING  
BALANCES IN GENERAL AND THOSE OF HONG KONG IN PARTICULAR.  
DEAN

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 14 AUG 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** garlanwa  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973HONGK08166  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** AS 19731231 DEAN  
**Errors:** N/A  
**Film Number:** n/a  
**From:** HONG KONG  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1973/newtext/t19730839/aaaabcsd.tel  
**Line Count:** 74  
**Locator:** TEXT ON-LINE  
**Office:** ACTION EB  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** garlanwa  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 23 JUL 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <23-Jul-2001 by reddocgw>; APPROVED <19 FEB 2002 by garlanwa>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** UK GUARANTEE OF HK STERLING RESERVES AFTER EXPIRATION BALE AGREEMENT  
**TAGS:** EFIN  
**To:** STATE TRSY  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005